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2033 K STREET, N.W.
WASHINGTON, D. C. 20006

12229-A

JAN 21 1982 3 15 PM

TEL. (202) 223-8270
CABLE: BISJO
TELEX: 89-569

INTERSTATE COMMERCE COMMISSION

January 21, 1982

2-121A117

By Hand

Honorable Agatha L. Mergenovich
Secretary (Room 2215)
Interstate Commerce Commission
12th & Constitution Ave., N. W.
Washington, D. C. 20423

No. JAN 21 1982
Date.....
Fee \$.....
ICC Washington, D. C.

Jan 21 3 31 PM '82

Re: Recordation of Security Agreement

Dear Ms. Mergenovich:

I enclose herewith an original and one certified true copy of a Security Agreement, described below, to be recorded pursuant to 49 U.S.C. §11303. This Security Agreement was executed on December 18, 1981 between Schutzky Distributors, Inc. (the borrower) and Wells Fargo Bank, N.A. (the lender).

By this Security Agreement, Schutzky--as owner of the twenty-five railroad cars described below--grants to Wells Fargo, as consideration for a loan, a security interest in the cars and an assignment of Schutzky's rights to payment under a Management Agreement (recorded September 29, 1980 and bearing ICC Recordation No. 12229) under which U. S. Rail Services, Inc. has agreed to manage the cars as Schutzky's agent.

The enclosed Security Agreement is, accordingly, a "primary" document under 49 CFR §1116.11(a) with respect to the security interest granted therein. However, it is also an "assignment" of Schutzky's payment rights under the previously recorded Management Agreement, and should thus be cross-indexed to Recordation No. 12229.

The names and addresses of the parties to the involved documents are as follows:

Car-Owner: Schutzky Distributors, Inc.
P.O. Box 1749
Richmond, CA 94802

Secured Party: Wells Fargo Bank, N.A.
475 Sansome Street
San Francisco, CA 94111

Handwritten signatures and initials:
- A large signature, possibly "C. Schutzky", written vertically on the left margin.
- Other initials and marks are present near the top left of the page.

Honorable Agatha L. Mergenovich
January 21, 1982
Page 2

Car-Manager: U. S. Rail Services, Inc.
633 Battery Street
San Francisco, CA 94111

A description of the equipment covered by the enclosed Security Agreement (and related Management Agreement) is as follows:

Description: 25 100-ton roller bearing
CF 4650 center-flow covered
hopper cars, bearing AAR de-
signations RUSX 5009 through
5033.

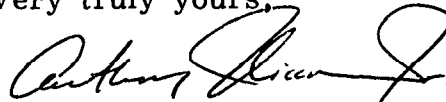
A short summary of the enclosed Security Agreement is provided below for inclusion in the Commission's recordation index:

Index Summary: Security Agreement between Schutzky Distributors, Inc., P.O. Box 1749, Richmond, CA 94802 (the car-owner and borrower) and Wells Fargo Bank, N.A., 475 Sansome Street, San Francisco, CA 94111 (the lender and secured party), dated December 18, 1981, and covering 25 100-ton roller bearing CF 4650 center-flow covered hopper cars, bearing AAR designations RUSX 5009 through 5033.

This Security Agreement also contains the assignment to Wells Fargo Bank of Schutzky's payment rights under a Management Agreement with U.S. Rail Services, Inc. regarding these cars (recorded September 29, 1980 and bearing ICC Recordation No. 12229).

A fee of \$50 is enclosed pursuant to 49 CFR §1002.2(d)(47). Should you have any questions, please do not hesitate to contact me.

Very truly yours,



Anthony J. Ciccone, Jr.
Counsel for Wells Fargo Bank, N.A.

AJC/crw
Enclosures
147-01-01

Interstate Commerce Commission

Washington, D.C. 20423

1/21/82

OFFICE OF THE SECRETARY

**Anthony J. Cicone, Jr.
Billig, Sher & Jones PC
Suite 300
2033 K Street, N.W.
Washington, D.C. 20006**

Dear **Sir:**

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on **1/21/82** at **3:35pm**, and assigned re-
recording number(s). **12229-A**

Sincerely yours,

Agatha L. Mergenovich
Agatha L. Mergenovich
Secretary

Enclosure(s)

SECURITY AGREEMENT

JAN 21 1962-3 25 PM

This Agreement is made this 18th day of DECEMBER, 1981 INTERSTATE COMMERCE COMMISSION
by SCHUTZKY DISTRIBUTORS, INC., a California corporation ("Borrower")
for the benefit of WELLS FARGO BANK, N.A., a national banking
association ("Bank").

RECITALS

WHEREAS, Borrower has purchased the twenty-five (25) 100 -ton roller bearing, CF 4650 center flow covered hopper cars, bearing American Association of Railroads identifying numbers RUSX 5009 through 5033, (the "Cars") and has entered into a Management Agreement dated June 20, 1980, (the "Management Agreement") with United States Rail Services, Inc. ("Manager"), whereby Manager has agreed to manage the Cars as Borrower's agent.

WHEREAS, Manager, as Borrower's agent and pursuant to the Management Agreement, is operating the Cars together with other rail cars in a pool ("Pool No. 8") and has leased or will hereafter lease the Cars to various lessees as a part of Pool No. 8.

WHEREAS, Borrower has applied to Bank for a loan secured by the Cars and Bank has agreed to grant such a loan on the terms and conditions of that certain Credit Agreement between Borrower and Bank dated December 18, 1981 (the "Credit Agreement"), including the requirement that the Term Loan, as defined in the Credit Agreement, be secured by a security interest in the Cars and as assignment of all of Borrower's rights to payment under the Management Agreement, including without limitation rights to payment arising from the lease of the Cars as a part of Pool No. 8.

NOW, THEREFORE, Borrower agrees as follows:

1. Security Interest and Assignment. Borrower hereby grants, assigns, mortgages and transfers to Bank a security interest in and to all of Borrower's right, title and interest in and to the following described collateral (collectively called the "Collateral"):

(a) The Cars and all appliances, parts, accessories and equipment now or hereafter incorporated or installed in or attached to the Cars, along with all substitutions or replacements of any of the foregoing;

(b) All of Borrower's rights, powers and privileges under the Management Agreement, including without limitation the immediate and continuing right to receive and collect all payments, awards, insurance proceeds and other sums receivable by the Borrower pursuant to any of the leases entered into by the Manager on behalf of Borrower, whether from an insurer or one or more of the lessees, and to execute and deliver all waivers, consents and agreements, to give and receive all notices and instruments and to do all other things which the Borrower is or may become entitled to do under the Management Agreement;

(c) All claims, rights, powers, privileges and remedies on the part of the Borrower with respect to the Management Agreement and all amendments, extensions and renewals thereof, and all of Borrower's rights under any subsequent agreement with Manager with respect to the Cars or any other agreement between Borrower and any other person or entity engaged to manage the Cars; and

(d) All proceeds, including insurance proceeds, from the sale, exchange, lease or other disposition of any of the foregoing; together with full power and authority, in the name of the Bank or the Borrower or otherwise, or as attorney-in-fact hereby irrevocably constituted, to enforce, collect and receive, and receipt for, in accordance with the terms and conditions hereinafter set forth any and all of the foregoing rights and sums assigned, or entitled to be received pursuant to other rights assigned.

2. Obligations Secured. This Agreement is made to secure (1) payment of principal and interest on Borrower's promissory note executed to evidence the Term Loan and made pursuant to the Credit Agreement (the "Note"), and all extensions, renewals, and modifications thereof, (2) payment and performance of all Borrower's obligations under this Agreement and the Credit Agreement, and (3) payment and performance of all other debts and obligations of any kind whatsoever now or hereafter owed by Borrower to Bank.

3. Protection of Security. To protect the security afforded by this Agreement, the Borrower agrees:

(a) To perform and comply with each and every term of each of any leases entered into by the Manager on behalf of the Borrower and of the Management Agreement to be performed or complied with by the Borrower.

(b) Unless the prior written consent of the Bank shall have been obtained, Borrower will not amend, modify, extend or in any way alter any of the terms of the Management Agreement, or cancel or terminate the Management Agreement or consent to or accept

any cancellation, termination or surrender thereof, or waive any default under or breach of the Management Agreement.

(c) If the Borrower shall fail to make any payment when due under the Note or to do any act required by the Credit Agreement or this Agreement, then the Bank shall have the right to, but shall not be obligated to, without prior notice to or demand on the Borrower and without releasing the Borrower from any obligation hereunder or thereunder, make or do the same in such manner and to such extent as the Bank may deem necessary or advisable to protect the security hereof, including specifically, without limiting its general powers, the right to appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of the Bank and also the right to perform and discharge each and every obligation, covenant and agreement of the Borrower contained in the Management Agreement or in any lease entered into by the Manager on behalf of the Borrower; and in exercising any such powers the Bank may pay reasonable costs and expenses, including without limitation attorneys' fees, which costs and expenses shall be immediately reimbursed by the Borrower. The Bank shall give the Borrower notice of any action taken pursuant to this paragraph.

(d) If any lien, encumbrance or charge of any kind based on any claim (including without limitation any claim for income, franchise or other taxes, whether Federal, state, local or otherwise) shall be asserted or filed against any of the Collateral, or any order, whether or not valid, of any kind shall be entered with respect to any of the Collateral by virtue of any claim of any kind in either case so as to (a) interfere with the due application of any amount pursuant to the provisions hereof or (b) subject the

Bank to any obligation to refund or make any payment in respect of any amount applied to the payment of the Note or to obligations under the Credit Agreement or hereunder, then the Borrower will promptly take such action (including but not limited to the payment of money) as may be necessary to prevent or remedy the cause of such interference or such obligation as the case may be.

(e) The Borrower agrees that the Borrower shall give the Bank prompt written notice if the use of any Cars shall be changed from that contemplated by the Management Agreement, such notice to specify such new use of Cars.

4. Power of Attorney. The Borrower hereby appoints the Bank its true and lawful attorney-in-fact, effective immediately upon the occurrence of an Event of Default under the Credit Agreement or a declaration of the principal of and interest on the Note to be due and payable thereunder, with full power of substitution, to enforce the Borrower's rights under the Management Agreement, and to take any other action which the Bank may deem necessary or appropriate to protect and preserve the security interest of the Bank in the Collateral.

5. No Assumption by the Bank. Anything herein to the contrary notwithstanding: (a) the Borrower shall at all times remain liable to the Manager under the Management Agreement to perform all the duties and obligations of the Borrower thereunder to the same extent as if this Agreement had not been executed; (b) the exercise by the Bank of any of the rights assigned hereunder shall not release the Borrower from any of its duties or obligations under the

Management Agreement; and (c) the Bank shall not have, and the Borrower shall indemnify the Bank for, and hold the Bank harmless from any obligation or liability under the Management Agreement or any of the leases entered into by the Manager on behalf of the Borrower by reason of, or arising out of, this Agreement, nor shall Bank be obligated to perform any of the obligations or duties of the Borrower under the Management Agreement or any of said leases or to make any payment, or to make any inquiry as to the sufficiency of any payment received by the Bank, or to present or file any claim, or to take any other action to collect or enforce any claim for any payment assigned hereunder, or to pay or to see to the payment of or to make any filings in respect of any taxes levied on or with respect to any of said leases, the rentals thereunder or the Cars.

6. Remedies on Default. If an Event of Default under the Credit Agreement shall occur and be continuing, or if the Borrower shall breach any provision of this Agreement or if the principal of and interest on the Note shall have been declared to be due and payable and such declaration shall not have been rescinded, the Bank, without obligation to resort to any other security, shall have the right, without notice, demand, or legal process to enter on any premises of Borrower to take possession of the Collateral or any part thereof, and shall have the right, to the extent permitted by law, at any time and from time to time, in its sole discretion, to sell in a commercially reasonable manner (subject to any rights of a lessee under any of the leases) the Collateral and all right, title and interest, claim and demand therein and right of redemption thereof, at public or private sale, for cash, upon credit or for

future delivery, and in connection therewith the Bank may grant options, all without either demand, advertisement or notice, all of which are hereby expressly waived by the Borrower, except that at least ten (10) days before any such sale the Bank shall mail or deliver to the Borrower at its latest address known to the Bank a notice stating the time and place of such sale. Any person or entity, including Bank, may bid at such sale and purchase the Collateral free from any equity or right of redemption, which is hereby waived and released, to the extent permitted by law.

Upon any such sale, after deducting all costs and expenses of every kind for sale or delivery, including without limitation attorneys' fees and disbursements, from the proceeds of sale, the Bank shall apply any residue to the payment of any liabilities secured hereby. The balance, if any, remaining after payment in full of all such liabilities shall be paid to the Borrower. The rights of the Bank specified herein shall be cumulative and shall in no event be deemed exclusive of any other rights the Bank may have pursuant to the Credit Agreement, or the laws (including without limitation the Uniform Commercial Code) of the United States or of any state of the United States. Notwithstanding the foregoing, the security interests granted hereby are effective immediately and their effectiveness is not contingent upon the occurrence of an Event of Default under the Credit Agreement.

In case of any sale of the Collateral, or any part thereof, under this Agreement, any purchaser shall be entitled, to the extent permitted by law, for the purpose of making payment for the property purchased, to use the Note and claims for interest thereon, in order that there may be credited thereon the sum payable out of the net

proceeds of such sale to the holder of such Note and claims for interest as his ratable share of such net proceeds; and thereupon such purchaser shall be credited on account of such purchase price with the portion of such net proceeds that shall be applicable to the payment of, and shall have been credited upon, the Note and claims for interest so used; and at any such sale, any holder of the Note may bid for and purchase the property offered for sale, may make payment on account thereof as aforesaid, and upon compliance with the terms of sale, may hold, retain and dispose of such property without further accountability therefor.

7. Further Assurance. The Borrower from time to time will execute, deliver to the Manager for execution, deliver to the Bank and file all such instruments and take, and cause to be taken, all such actions as the Bank may reasonably request in order to preserve and protect the security interests granted or intended to be granted to the Bank hereunder, to effectuate the purposes of this Agreement or to carry out the terms hereof, including without limitation the execution and filing of financing statements or continuation statements. The Borrower hereby authorizes the Bank to file this Agreement or financing statements with respect to the Collateral with any appropriate governmental office or offices in order to perfect the security interests granted hereby.

8. Assignment. All or any of the rights, title or interest of the Bank in, to or under this Agreement may be assigned or transferred and may be reassigned or retransferred by an assignee of the Bank, or any successor assignee, at any time and from time to

time, provided however, that any such assignment or transfer shall not violate the Securities Act of 1933, as amended from time to time, or applicable provisions of state securities laws as then in effect.

9. Termination. The security interests created hereunder will terminate when all the obligations of the Borrower under the Note, the Credit Agreement and this Agreement are discharged (and all amounts due hereunder and thereunder have been paid) and the Bank, at the request of the Borrower, will then execute termination statements and such other documents as may be necessary or appropriate to make clear upon the public records the termination of such security interests.

10. Controlling Law; Successors and Assigns. This Agreement shall be governed by and construed in accordance with the laws of the State of California and shall inure to the benefit of and be binding upon the Borrower and the Bank and their respective successors and assigns, provided however, that the Borrower may not assign this Agreement without the Bank's prior written consent.

11. Changes, Waivers, etc. Neither this Agreement nor any provision hereof may be changed, waived, discharged or terminated orally, but only by an instrument in writing signed by all parties to this Agreement. No failure or delay by the Bank in exercising any right, power or privilege hereunder shall operate as a waiver thereof; nor shall any single or partial exercise thereof preclude

any other or further exercise thereof or the exercise of any other right, power or privilege.

12. Severability. In case any one or more of the provisions contained in this Agreement shall be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby.

IN WITNESS WHEREOF, Borrower has executed this Agreement as of the date first above written.

SCHUTZKY DISTRIBUTORS, INC.

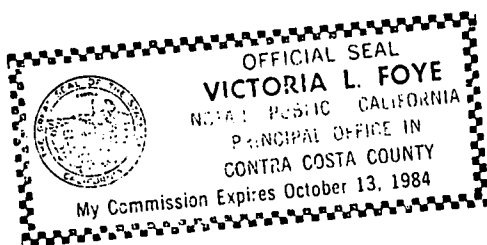
By: Victor S. Schutzky
Title: President

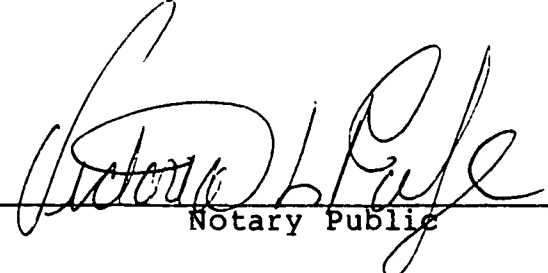
By: Philip H. Schutzky
Title: Deputy President

CORPORATE ACKNOWLEDGMENT

STATE OF California)
)
COUNTY OF Contra Costa)

On this 18th day of December, 1981, before me, a notary public in and for the State of California, residing therein, duly commissioned and sworn, personally appeared *Victor S. Schutzky* and *Marilyn H. Schutzky*, known to me to be the President and Sec/Tres of Schutzky Distributors, Inc., the Corporation described in and that executed the foregoing instrument, and also known to me to be the persons who executed said instrument on behalf of said Corporation, and they acknowledged to me that said Corporation executed the foregoing instrument pursuant to its By-Laws or a resolution of its Board of Directors.




Notary Public


(SEAL)

My Commission expires October 13, 1984

CERTIFIED TRUE COPY

DISTRICT OF COLUMBIA) ss.

This will certify that, on this 21st day of January 1982, I, a notary public in and for the District of Columbia, have compared the foregoing Security Agreement (dated December 18, 1981) by and between Schutzky Distributors, Inc. and the Wells Fargo Bank, N.A. with the original thereof, and that such copy is a true and complete copy of the original document in all respects, including date, signature and acknowledgments.


Rosalie A. Daniels
Notary Public

My commission expires: My Commission Expires October 14, 1986